

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-08 EA-06 ISO-00 AID-05 CIAE-00 COME-00

EB-04 FRB-01 INR-05 NSAE-00 RSC-01 XMB-02 OPIC-06

SP-02 CIEP-01 LAB-01 SIL-01 OMB-01 AGR-05 SWF-01

NSC-05 SS-15 STR-01 CEA-01 L-01 H-01 PRS-01 PA-01

USIA-06 FEAE-00 INT-05 DRC-01 /089 W

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TO SECSTATE WASHDC PRIORITY 7455

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AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

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AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

PASS TREASURY FOR WIDMAN; PASS FRB

1. SUMMARY. ADJUSTED BALANCE OF PAYMENTS FOR SEPTEMBER
REGISTERED DEFICIT OF \$94 MILLION, RESULTING IN
CUMULATIVE ADJUSTED DEFICIT FOR NINE-MONTH PERIOD
OF \$6,401 MILLION. SEPTEMBER DEFICIT FOLLOWED TWO
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MONTHLY SURPLUSES (JULY \$306 AND AUGUST \$66).

MONTH MARKED BY MANY MAJOR DEVELOPMENTS: FURTHER ROLLOVER OF SHORT-TERM EC CREDIT (\$1,885 MILLION), RECEIPT OF GERMAN GOLD COLLATERAL LOAN (\$2,000 MILLION), FIRST DRAWING FROM IMF OIL FACILITY (\$312 MILLION), SECOND IMF STANDBY DRAWING (\$534 MILLION), CONVERSION OF SDR'S (\$179 MILLION), FULL REPAYMENT ON OTHER EUROMARKET BORROWINGS (\$30 MILLION). END SUMMARY.

2. MONETARY MOVEMENTS DATA FOR SEPTEMBER SHOW ADJUSTED DEFICIT OF \$94 MILLION, I.E., RECORDED DEFICIT OF \$124 LESS LOAN REPAYMENT OF \$30 MILLION ON EARLY 1974 EUROMARKET BORROWING BY BANCA NAZIONALE DEL LAVORO. MAIN DEVELOPMENTS DURING PERIOD WERE INCREASED IN CONVERTIBLE CURRENCY HOLDINGS BY \$2,333 MILLION, INCREASE IN MEDIUM AND LONG-TERM LIABILITIES OF \$2,698 MILLION, REPAYMENTS OF \$434 MILLION BY COMMERCIAL BANKS ON THEIR NET FOREIGN LIABILITIES, SDR CONVERSION OF \$179 MILLION, AND INCREASE OF \$13 MILLION IN SHORT-TERM LIABILITIES. MAJOR TRANSACTIONS DURING MONTH WERE FURTHER 90-DAY ROLLOVER (TO DECEMBER 18) OF SHORT-TERM EUROPEAN COMMUNITY CREDIT (\$1,885 MILLION), RECEIPT OF GERMAN GOLD COLLATERAL LOAN (\$2,000 MILLION), FIRST DRAWING FROM IMF OIL FACILITY (\$312 MILLION), SECOND IMF STANDBY DRAWING (\$534 MILLION), CONVERSION INTO FOREIGN EXCHANGE OF SDR'S (\$179 MILLION), FULL REPAYMENT OF MARCH MONTEDISON LOAN (\$150 MILLION), AND REPAYMENT OF OTHER EUROMARKET BORROWINGS (\$30 MILLION).

3. RECORDED CUMULATIVE DEFICIT FOR NIN-MONTH PERIOD FROM JANUARY THROUGH SEPTEMBER WAS \$4,281 MILLION AND ADJUSTED CUMULATIVE DEFICIT (INCLUDING EUROMARKET BORROWINGS OF \$2,171 MILLION LESS \$30 MILLION BNL REPAYMENT) WAS \$6,401 MILLION. DEFICIT HAS BEEN FINANCED BY INCREASE IN BOI FOREIGN EXCHANGE ASSETS BY \$1,768 MILLION, REDUCTION OF SDR HOLDINGS OF \$186 MILLION, DECREASE IN NET IMF POSITION BY \$355 MILLION AS RESULT OF DRAWING DOWN OF SUPER GOLD TRANCHE, REDUCTION IN BOI SHORT-TERM LIABILITIES BY \$328 MILLION, INCREASE IN MEDIUM AND LONG-TERM BOI LIABILITIES OF \$5,074 MILLION (INCLUDING EC CREDIT, GERMAN GOLD COLLATERAL LOAN, IMF STANDBY LIABILITIES, AND IMF OIL FACILITY DRAWING), AND NET SHORT-TERM BORROWINGS LIMITED OFFICIAL USE

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OF COMMERCIAL BANKS OF \$761.

4. ON OCTOBER 14, LIRA EXCHANGE RATE WAS 669.425 LIRE PER DOLLAR, MOST DEPRECIATED RATE SINCE RECORD LOWS OF JANUARY 1974. THREE-MONTH FORWARD RATE WAS 685.425 AND WEIGHTED AVERAGE DEVALUATION OF LIRE, ACCORDING TO BOI INDEX, WAS RECORD LOW OF 20.46 PERCENT. 9, -.3 \$-53, THREE-MONTH EURO-LIRA INTEREST RATE WAS

20 1/4 PERCENT AND LIRA INTERBANK INTEREST RATES
WERE 16.5675 (RI-HOUR RATE) AND 17.8175 (THREE-MONTH
RATE). VOLPE

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